

m/023/007

Michael O. Leavitt Governor Lowell P. Braxton

Division Director

PO Box 145801 Salt Lake City, Utah 84114-5801 801-538-5340 801-359-3940 (Fax)

801-538-7223 (TDD)

FACSIMILE COVER SHEET

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DATE: 🔀	ene 12,2001
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NUMBER O	F PAGES INCLUDING THIS COVER SHEET:
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	160 Cin spring
FAX NUMBI	ER: 1-303-293-2235
FROM:	Joelle
	Minerals Reclamation and Development Program
PHONE:	(801) 538-5291
FAX:	(801) 359-3940
SUBJECT:	Partial Bond Release Letters - North Lily - M/023/007
	Sign malandar
	1) ely - 114025/001
REMARKS:	Original's will be in todays mail

Should you encounter any problems with this copy, or do not receive all the pages, please call

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FOR: OIL, GAS & MINING 801 359 3940

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State of Utah DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210 PO Box 145801 Salt Lake City, Utah 84114-5801

Michael O. Leavitt Governor Lowell P. Braxton Division Director

801-359-3940 (Fax)

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FACSIMILE COVER SHEET

DATE: June 12. 2001

NUMBER OF PAGES INCLUDING THIS COVER SHEET:

TO:

North Lily Minong

FAX NUMBER: 1-303-293-2235

FROM:

pelle

Minerals Reclamation and Development Program

PHONE:

(801) 538-5291

FAY.

(001) 250 2040



Michael O. Leavitt Governor Lowell P. Braxton Division Director PO Box 145801 Salt Lake City, Utah 84114-5801 801-538-5340

801-359-3940 (Fax) 801-538-7223 (TDD)

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DATE:	ine 12.2001									
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TO:	Ann Norman									
	Wells Targo Bank									
	Payson Utah									
	0									
FAY NIMB	ER: 1-801-465-4305									
FAA NUMD										
FROM:	Wayne Hessing									
	Minerals Reclamation and Development Program									
PHONE:	(801) 538-5291									
FAX:	(801) 359-3940									
SUBJECT:	authorization of Partial Release of Surety-									
	Authorization of Partial Release of Surety- North Lely Mining Co- m/023/007.									
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REMARKS:	hard lopies of letters farthrowing win regular mail.									
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	Thank you for your help.									

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TRANSACTION REPORT

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DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210 PO Box 145801 Salt Lake City, Utah 84114-5801 801-538-5340 801-359-3940 (Fax)

801-538-7223 (TDD)

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Michael O. Leavitt Governor Lowell P. Braxton Division Director

DAY.

FACSIMILE COVER SHEET NUMBER OF PAGES INCLUDING THIS COVER SHEET: TO: FAX NUMBER: FROM: Minerals Reclamation and Development Program PHONE: (801) 538-5291



Governor
Kathleen Clarke
Executive Director
Lowell P. Braxton
Division Director

Governor
Salt Lake City, Utah 8
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

1594 West North Temple, Suite 1210 PO Box 145801 Salt Lake City, Utah 84114-5801 801-538-5340 801-359-3940 (Fax)

June 12, 2001

Ann Norman Branch Manager Wells Fargo Bank 95 North Main Payson, Utah 84651

Re:

Authorization for Partial Release of Reclamation Surety, Certificate of Deposit (CD), North Lily Mining Company, Tintic Project, M/023/007, Juab County, Utah

Dear Ms. Norman:

Wells Fargo Bank (formally First Security Bank) is presently holding a Certificate of Deposit # for the benefit of the State of Utah, Division of Oil, Gas and Mining as a form of reclamation surety for North Lily Mining Company's, Tintic Mine Project. At the company's request and after site inspections to verify that reclamation work has been satisfactorily completed, this letter will authorize the release of sufficient principal to reduce the face value of the Certificate to no less than \$32,500 dollars. As of June 6, 2001, the Certificate balance with interest was reported at \$163,808 dollars. The partial payment should be directed to North Lily Mining Company (see attached release notification letter). We understand that a 3-month interest penalty may apply for early withdrawal of the certificate.

When this transaction has been accomplished, please furnish us with written confirmation that appropriate funds have been released and that the balance of retained funds will remain at \$32,500.

If you have any questions or concerns, please contact Mary Ann Wright at (801) 538-5306, or Wayne Hedberg at (801) 538-5286. Again, thank you for your help in this matter.

Sincerely,

Lowell P. Braxton

Director

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Attachment: 6/12/2001 release letter cc: Steve Flechner, North Lily

Mary Ann Wright, DOGM Wayne Hedberg, DOGM

O:\northlily\M23-07-interest-rel.doc



Michael O. Leavitt Governor Kathleen Clarke Executive Director Lowell P. Braxton Division Director PO Box 145801 Salt Lake City, Utah 84114-5801 801-538-5340 801-359-3940 (Fax) 801-538-7223 (TDD)

June 12, 2001

Mr. Steve Flechner
North Lily Mining Company
1800 Glenarm Place
Denver, Colorado 80202

Re:

Approval of 2nd Request for Partial Bond Release, North Lily Mining Company, Tintic Project, M/023/007, Juab County, Utah

Dear Mr. Flechner:

On June 1, 2001, North Lily made a formal request for a 2nd partial bond release for reclamation work completed at North Lily's Tintic Project. North Lily has requested that \$108,024 (plus appropriate contingency and escalation factor adjustments) be released from the required \$155,100 certificate balance. The reduction amount was based upon the itemized costs contained in the current reclamation bond estimate. Your letter requested credit for the following reclamation tasks:

- \$ 5,000 (Demolition of Buildings and Facilities)
- \$ 9.696 (Debris & Equipment Removal)
- \$ 470 (Regrade Facilities Area)
- \$ 5.640 (Regrade Solution Ponds)
- \$ 704 (Ripping Stockpile and Compacted Areas)
- \$19,380 (Topsoil Replacement)
- \$ 1,070 (General Site Clean-up and Trash Removal)
- \$ 500 (Equipment Mobilization)
- \$ 2,790 (Reclamation Supervision)
- \$59,798 (Post Closure Fluid Management System)
- \$ 2,976 (Construction Supervision)

We have reviewed the reclamation tasks performed and the dollar amounts requested. As you know, OGM and DWQ staff have performed onsite inspections confirming that these tasks are completed. Both agencies agree that this partial bond release is justified. A total of \$122,600 dollars is hereby released, which includes contingency and escalation factors. We will instruct Wells Fargo Bank to retain \$32,500 of the current certificate balance for the post-closure monitoring provisions and the residual revegetation work that must be completed this fall (see attached cost breakdown sheet). Any accrued interest above the \$155,100 base amount may also be released to North Lily.

Page 2 Steve Flechner North Lily Mining Company June 12, 2001

The Division will forward the necessary paperwork to Wells Fargo Bank authorizing release of these funds to North Lily to meet its payment obligations for the project reclamation work performed to date. Thank you for your cooperation in moving the closure and reclamation work forward so that the July 1, 2001 project deadline could be met. We look forward to meeting with you onsite on June 26th to jointly review the status of the successful reclamation work performed to date.

If you have any questions in this regard, please call me, or Wayne Hedberg of my staff at (801) 538-5306 and 538-5286, respectively.

Sincerely

Mary Ann Wright

Associate Director, Mining

jb

Attachment: Revised Reclamation Cost Estimate

ce: Bob Bayer, JBR

Dennis Frederick, DWQ Wayne Hedberg, OGM

Doug Jensen, OGM

M23-07.BondRed2.doc

RECLAMATION SURETY ESTIMATE North Lily Mining Company		last rev.	03/01/01] _			
Tintic Project		M023-00					DRAFT		
M/023/007	ough Cou							•	
Prepared by Utah State Division of Oil, Gas & M -This estimate uses a D8 size dozer for most ea	rthwork								
Acreage Totals Heaps - 16.6 Buildings - 1 Topsoil Area - 3.2		26 Por	nde - 1 2						
meaps - 10.0 Buildings - 1 Topson Area - 3.2	DOITOW -	2.0 101	103 - 1.2			Release	Release	Release	Bond Amounts
					Status	Requested		Authorized	
Note: actual unit costs may vary according to s	te conditio	last unit c	ost updat 24.6 a	08/25/99	ļ		03/20/01	06/01/01	06/01/01
-Amount of disturbed area which will receive rec -Estimated total disturbed area for this mine =	amauon ut	eauneni	24.6		!				
Activity	Quantity	Units	\$/unit	\$					
Demolition of buildings & facilities		lump su		5,000				\$5,000	
Debris & equipment removal - trucking		trips	48	480		ł		<u>\$480</u>	
Debris & equipment removal - dump fees	100	 -	55	5,500				\$5,500 \$2,816	
Debris & equipment removal - loading trucks w/		hours hours	176 15	2,816 900				\$ <u>900</u>	
Demolition & debris removal - general labor Regrading facilities areas (1 ft depth)		acre	470	470				\$470	
Hazardous Waste Disposal		lump su	10000	10,000	partial		\$8,500		\$1,500
Regrading heap slopes	26,000		0.47	12,220	Comp.	\$12,220	\$12,220	\$5,640	
Regrade Solution Ponds	12,000	CY.	0.47	5,640				<u>\$0,040</u>	
Ripping stockpile & compacted areas	5.8	acre	220	1,276	partial		\$572	\$704	
Tripping decomplied a companied areas								-	
Ripping site - prior to seeding	18.8	acre	220	4,136	partial	\$3,160	\$3,160	=	\$976
	20.000	C) (2 5 5	06 000	nartial.	\$77,520	\$77,520	\$19,380	
Topsoil replacement - truck & FE loader	38,000	<u></u>	2.55	96,900	paruai	\$17,520	\$11,020	<u>\$13,300</u>	
Composted manure (10 ton/acre)	24.6	acre	300	7,380	partial	\$5,640	\$5,640		\$1,740
Broadcast seeding	24.6	асге	170	4,182	partial		\$3,100	-	\$1,082
								64.070	
General site cleanup & trash removal	21.4	acre	50	1,070				<u>\$1,070</u>	
Equipment mobilization	2	equip	1000	2.000	Incomp.	\$1,000	\$0	\$500	\$1,500
Edubline it mobilization		<u> </u>					·		
Reclamation Supervision	10	days	372	3,720				<u>\$2,790</u>	\$930
		Subtotal		163,690	Subtota	\$99,540	\$110,712 \$11,071		\$6,798 \$5,298
10% Contingency		Subtotal		16,369 \$180,059	-		\$121,783	_	\$12,096
Escalate for 2 years at 3.13% per yr		Oublotai	•	11,448	-1		<u> </u>	<u> </u>	\$2,000
Zooditio Id. Z your distribution		Total		\$191,507				\$45 <u>,250</u>	\$14,096
	d surety an	nount in y	r 2002-\$	\$191,500	.]			<u>\$45,300</u>	\$14,100
Average cost per disturbed acre =	\$7,785					J			
					٦				
Bonding Calculations for									
Additional Activities Costruction of Post Closure Fluid		Lump							
Management System		Sum		\$59,798.00	_			<u>\$59,798</u>	
Construction Supervision	8	Days	\$372	\$2,976.00	_			\$2,976	
Post-Closure Monitoring/analysis	5 years	per year	\$1500	\$7,500.00					\$7,500
and handling, data reporting, site					-				\$5,000
mgnt.	5	year Subtotal	\$1,000	\$5,000.00 \$75,274.00				\$108,074	
10% Contingency		Capidial		\$7,527				\$10,807	
1070 Containguings		Subtotal		\$82,801	_			\$118,881	\$27,850
Escalate for1 years at 3.13% per yr				\$2,592				<u>\$3,721</u>	
		Total		\$85,393	_			\$122,602	
	Rounded	Amount		\$85,400	Amount	of Bond to be Rei	eased	\$122,600	\$32,500
North Lily bond Release Authorization				\$121,800					
Additional Bonded Activities Cost				\$85,400					
- mentalist motivae continue one					_				
Bond Amount Authorized for Release		Total		\$36,400.00	<u>-</u>				
and the second s				\$101 E00 00				\$155,100)
Present North Lily Bond Amount Authorized Release Amount				\$191,500.00 \$36,400.00	_			\$122,600	•
Bond Amount Remaining for Final Reclamation	1				_	of North Lily Bone	d Remaining	\$32,500	-
Conta / anount romaning for a mar roodination	-								-